

Message Text

CONFIDENTIAL

PAGE 01 STATE 080476
ORIGIN TRSE-00

INFO OCT-01 ARA-10 ISO-00 EB-08 OMB-01 SP-02 CIAE-00
INR-10 NSAE-00 L-03 SSO-00 INRE-00 /035 R

DRAFTED BY TREAS:IDN:JHJOHNSON
APPROVED BY ARA/CAR:ACHEWITT
TREAS:I:IDN:F. MARESCA
TREAS:I:IDN:R. PELIKAN
TREAS:I:ID:A. NACHMANOFF
TREAS:I:F. BERGSTEN
ARA/ECP:LPETERS

-----023886 291718Z /41

O 291623Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY KINGSTON IMMEDIATE

C O N F I D E N T I A L STATE 080476

E.O. 11652:GDS

TAGS:

SUBJECT: JAMAICA'S REQUEST TO TREASURY FOR \$25 MILLION
IN ESF BRIDGE FINANCING

REF: KINGSTON 2642

1. ON MARCH 14, 1978, ASSISTANT SECRETARY BERGSTEN AND
SAM CROSS, U.S. EXECUTIVE DIRECTOR TO THE IMF, MET
WITH JAMAICA'S AMBASSADOR TO THE U.S., ALFRED RATTRAY,
AND JAMAICA'S IMF REPRESENTATIVE, BERNARD DRABBLE, AT
RATTRAY'S REQUEST, TO DISCUSS A GOJ REQUEST FOR \$25
MILLION IN EMERGENCY BRIDGE FINANCING FROM THE EXCHANGE
STABILIZATION FUND (ESF).

2. WHILE ACKNOWLEDGING THAT DIFFICULT DECISIONS ON
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 080476

FISCAL AND INCOMES POLICY HAD YET TO BE TAKEN BY THE
GOJ BEFORE AN IMF AGREEMENT COULD BE REACHED, RATTRAY
AND DRABBLE EXPRESSED CONFIDENCE, NONETHELESS, THAT AN
AGREEMENT WOULD SOON BE CONCLUDED. RATTRAY THOUGHT AN
AGREEMENT IN PRINCIPLE COULD BE SIGNED BY THE SECOND
WEEK IN APRIL. HE ESTIMATED THAT ANOTHER FOUR WEEKS
MIGHT BE REQUIRED TO OBTAIN FORMAL APPROVAL FROM THE

IMF EXECUTIVE BOARD.

3. RATTRAY EXPLAINED THAT, AS A RESULT OF NOT HAVING RECEIVED THE REMAINING IMF STAND-BY DRAWINGS, AN IBRD PROGRAM LOAN AND OTHER RELATED EXTERNAL FINANCING, THE GOJ HAD NOW EXHAUSTED ITS FOREIGN EXCHANGE RESERVES. CONSEQUENTLY, JAMAICA NOW HAD AN URGENT NEED FOR EMERGENCY ESF BALANCE OF PAYMENTS SUPPORT. RATTRAY INDICATED THAT THE GOJ WOULD BE WILLING TO LINK REPAYMENT OF AN ESF LOAN TO JAMAICA'S DRAWINGS FROM A NEW IMF AGREEMENT. HE EMPHASIZED THE GOJ PREFERENCE FOR ESF FINANCING WHICH WOULD BRIDGE TO THE SECOND, RATHER THAN THE FIRST, IMF DRAWING IN ORDER TO CARRY JAMAICA THROUGH ITS MOST CRITICAL PERIOD OF FOREIGN EXCHANGE NEED. DRABBLE ARGUED THAT, TO PREVENT FURTHER DETERIORATION IN JAMAICA'S ECONOMIC POSITION, PART OF THE PROCEEDS FROM THE FIRST DRAWING SHOULD BE USED TO BUILD-UP GROSS RESERVES AND PART TO REDUCE COMMERCIAL ARREARAGES.

4. BERGSTEN TOLD RATTRAY THAT THE USG WAS DISAPPOINTED BY THE LENGTH OF THE DELAY IN REACHING AN AGREEMENT, BUT WOULD CONTINUE TO FOLLOW THE PROGRESS OF THE NEGOTIATIONS CLOSELY. HE EXPRESSED A HOPE THAT THE GOJ WOULD SOON MAKE THE DIFFICULT, BUT NECESSARY, DECISIONS ON A STABILIZATION PROGRAM. BERGSTEN EXPRESSED MILD

CONFIDENTIAL

PAGE 03 STATE 080476

SURPRISE THAT JAMAICA HAD ALREADY EXHAUSTED ITS CASH FOREIGN EXCHANGE RESERVES, NOTING THAT RECENT USG ASSESSMENTS HAD SUGGESTED THAT THERE WERE REASONABLE PROSPECTS JAMAICA COULD MAKE IT THROUGH THE FIRST QUARTER WITHOUT RUNNING OUT OF RESERVES.

5. BERGSTEN SAID TREASURY COULD NOT EXTEND ESF FINANCING TO JAMAICA IN THE PRESENT CIRCUMSTANCES. HE ADDED THAT, BEFORE TREASURY COULD PROPERLY ASSESS THE NEED FOR SUCH FINANCING IN THE FUTURE:

(A) THE GOJ WOULD HAVE TO REACH AN AGREEMENT WITH THE IMF IN ORDER TO SATISFY A STANDING CONGRESSIONAL PREREQUISITE FOR ESF ACCESS; AND

(B) THE GOJ WOULD NEED TO SUPPLY TREASURY WITH DETAILED INFORMATION ON THE OVERALL FINANCIAL OUTLOOK IN JAMAICA.

6. BERGSTEN STRESSED THAT JAMAICA'S PROBLEMS WERE LONG-TERM AS WELL AS SHORT-TERM IN NATURE. HE POINTED OUT THAT THE USG HAD VARIOUS BILATERAL ASSISTANCE MECHANISMS AT ITS DISPOSAL, OF WHICH THE ESF WAS ONLY

ONE POSSIBILITY. HE ALSO NOTED THAT TREASURY WAS UNDER CONSIDERABLE PRESSURE FROM CONGRESS ABOUT USE

OF THE ESF FOR BALANCE OF PAYMENTS FINANCING AND THAT ESF LOANS TO DEVELOPING COUNTRIES HAD BEEN COMPARATIVELY RARE.

7. RATTRAY PROMISED TO SUPPLY THROUGH THE IMF STAFF THE DATA TREASURY REQUIRED AS QUICKLY AS POSSIBLE. HE INQUIRED WHETHER IT WOULD BE POSSIBLE TO OBTAIN AN IMMEDIATE TREASURY COMMITMENT TO PROVIDE ESF FINANCING TO BECOME AVAILABLE AS SOON AS AN AGREEMENT IN PRINCIPLE WITH THE IMF HAD BEEN REACHED. BERGSTEN INDICATED HE COULD NOT FURNISH SUCH A COMMITMENT AT THIS TIME. HE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 080476

INDICATED THAT THE TIMING OF TREASURY'S RESPONSE WOULD DEPEND, IN THE FIRST INSTANCE, ON GETTING A CLEAR, UP-TO-DATE PICTURE OF JAMAICA'S OVERALL SITUATION, AND, IN THE SECOND INSTANCE, ON AN OVERALL USG ASSESSMENT AS TO WHAT FORMS OF AID MIGHT BE POSSIBLE.

8. RATTRAY CONCLUDED THE MEETING BY INVITING BERGSTEN TO DINE WITH ERIC BELL AT THE AMBASSADOR'S RESIDENCE. BERGSTEN ACCEPTED THE INVITATION TO LUNCH ON SUNDAY, MARCH 19.

9. THE MEMCON OF THE MARCH 14 BERGSTEN-RATTRAY MEETING WILL BE TRANSMITTED BY POUCH. COOPER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, LOAN AGREEMENTS, IMF DRAWING RIGHTS, BALANCE OF PAYMENTS DEFICITS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE080476
Document Source: CORE
Document Unique ID: 00
Drafter: IDN:JHJOHNSON
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780136-0551
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780312/aaaaajzq.tel
Line Count: 149
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 92bfd1ba-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 KINGSTON 2642
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3156547
Secure: OPEN
Status: NATIVE
Subject: JAMAICA'S REQUEST TO TREASURY FOR \$25 MILLION IN ESF BRIDGE FINANCING
TAGS: EFIN, JM, US, TRSY, IMF
To: KINGSTON
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/92bfd1ba-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014